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JEFFERSON MEMORIAL

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IN THIS ISSUE:

On the Cover

The National Memorial to Thomas Jefferson, third President of the United States, was dedicated in 1943 on the 200th anniversary of his birth. Erected beside the Tidal Basin of the Potomac River at Washington, D. C., its entablature carries this inscription: "I have sworn upon the altar of God eternal hostility against every form of tyranny over the mind of man."

A century and a half have passed since Jefferson spoke those words, but their challenge is as vibrant today as in that other day. He fought against limited tyranny. Now the battle for control of the minds of men encircles the globe.

Jefferson was President of the United States, the highest honor his countrymen could accord him, but his own evaluation of his achievements is in the epitaph which he wrote for the simple shaft to mark his grave at his beloved Monticello—

"Here is buried Thomas Jefferson, author of the Declaration of Independence, the Virginia Statutes of Religious Freedom, and father of the University of Virginia."

Enforces Credit Regulation

The Federal Reserve Board is out to put teeth in its credit regulations.

"Regulation W, issued by the Board of Governors of the Federal Reserve System pursuant to the Defense Production Act of 1950, provides that a registrant shall not extend any credit for the financing of certain listed articles including new and used passenger automobiles without obtaining a down payment in an amount prescribed in the regulation. In the case of automobiles the present terms of the regulation require a down payment of not less than one-third of the cash price of the car and the balance must be paid in 15 months."

Last week in a suit the Federal Reserve Board instituted against Fifth Avenue Motors, Inc., it obtained a judgment and a decree against the company, which was proven to have violated the provision of the order with respect to the sale of used cars. This suit and judgment gave notice to dealers everywhere that the Government means to strictly enforce its credit regulations, and everybody had as well take notice of that fact.

—*Hampshire Review*, Romney, West Virginia.

Personal Holding Company Act

The Bureau of Internal Revenue holds that the Personal Holding Company Amendment applies to fiscal years ending after August 9, 1950. We quote a letter from Mr. George J. Schoeneman, Commissioner of Internal Revenue:

U. S. TREASURY DEPARTMENT
WASHINGTON 25

Office of
Commissioner of Internal Revenue

September 20, 1950

Address reply to
Commissioner of Internal Revenue
and refer to

IT: P:CA
BEB

Edward Gore & Co.
120 S. LaSalle Street
Chicago 3, Illinois

Gentlemen:

Further reference is made to your letter of August 15, 1950 requesting advice as to the effective date of the amendments to section 501(b)(6) of the Internal Revenue Code.

You state that H. R. 6073, signed by the President, contains no statement regarding the effective date of the amendments, and submit three questions, as follows:

1. Are the amendments effective for transactions occurring subsequent to August 9, 1950?
2. Are the amendments effective for fiscal years ending after August 9, 1950?
3. Are the amendments effective for fiscal years beginning after August 9, 1950?

The amendments to section 501(b)(6) of the Code were enacted by Public Law 680, 81st Congress.

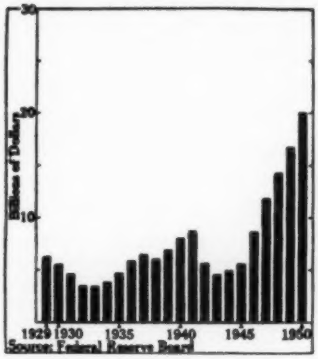
The Bureau holds that the provisions of section 501(b)(6) of the Code as amended by Public Law 680, 81st Congress, are effective for the fiscal years ending after August 9, 1950. Specific answers to questions 1 and 3 are therefore unnecessary.

Very truly yours,
/s/ GEO. J. SCHOENEMAN
Commissioner

Food for Thought

Culled from Here and There

Consumer Credit



On-the-cuff buying of goods and services by the American public boosted outstanding consumer debt to a record $20 billion at the end of 1950. This was $3 billion above the end of 1949 and represented a rise of over $14 billion since the end of 1945.

—*The Wall Street Journal.*

From Governor Forrest Smith's message to the Missouri Legislature on January 3, 1951, the following is quoted:

"There has been a crying need for many years to regulate small loan companies in Missouri. For many years every session of Missouri's legislature witnessed the introduction of bills to correct this evil and every session saw the death and burial of the proposals, without tears for their feeble efforts. Missouri is one of the very few industrial states which does not have some form of small loan legislation.

"Many of our small borrowers, with little or no bargaining power, are forced to pay extortionate rates when they find themselves in desperate financial need. This class of our citizens is entitled to have, and should receive, protection from its government. Some sort of legislation on this subject should be passed at this session.

"I am, therefore, urging that you give serious and conscientious consideration to the passing of a bill regulating small loan companies, which will provide interest charges fair to both the borrower and the lender."

No matter how much planning, how much wisdom may go into planning, whether it be an insurance program, an armed invasion of a continent or a campaign to reduce the inroads of disease, the measure of its success always will be the spirit and mettle of the individuals engaged in its execution.

No matter how much treasure may support a project or how elaborate its organization or how detailed and farsighted its operational scheme, the human element is always the central one.

—*Dwight D. Eisenhower.*

Redemption in January of series E bonds exceeded sales for the 9th consecutive month. First of series E bonds will mature in May.

—*The Riggs National Bank.*

I am aware that this price for liberty may seem high to some people. I know that those groups and persons who now enjoy those special privileges will do all in their power to keep them—and to extend them. Even so, I have faith that the vast majority of the American people want liberty and are willing to accept the personal responsibility which liberty requires. I believe that the only requirement for the return to liberty is an understanding of what it is. I believe that we will understand it and that we will then return to it. I have this faith in my fellow Americans because I believe they will know that upon liberty—*and upon liberty alone*—depends the survival of the species!

—*Ben Moreell, President, Jones and Laughlin Steel Corporation.*

The guesses in Congress about new taxes are running like this:

Individuals—2 or 3 percentage points increase in each income bracket, instead of 4 points as Mr. Snyder suggested.

Corporations—5 or 6 percentage points increase, rather than the recommended 8.

Excises—Considerable expansion of items taxed, and higher levies on existing taxed items, for a total of something more than $2 billion. (Mr. Snyder's proposals for steeply increased excises on automobiles were the "surprise" parts of his program.)

—*You and Your Congress.*

MEETING SCHEDULE

COLORADO

Broadmoor Hotel, Colorado Springs, May 25-27

IDAHO

Sun Valley, June 29-30

ILLINOIS

Broadview Hotel, East St. Louis, April 25-26

Edgewater Beach Hotel, Chicago, October 30-31

IOWA

Fort Des Moines Hotel, Des Moines, May 2-3-4

MARYLAND

Tidewater Inn, Easton, June 14

Lord Baltimore Hotel, Baltimore, October 13

MASSACHUSETTS

Hotel Sheraton, Springfield, March 22

MICHIGAN

Ramona Park Hotel, Harbor Springs, June 28-29

Statler Hotel, Detroit, November 6-7-8

NEW YORK

Hotel Commodore, New York, May 15-16

Albany, November 14-15

OHIO

Neil House, Columbus, October 16-17

OKLAHOMA

November

OREGON

Rogue Valley Country Club, Medford, May 19

Multnomah Hotel, Portland, November 17

PENNSYLVANIA

Pittsburgh, April 18-19

Philadelphia, November 6-7

VIRGINIA

Homestead Hotel, Hot Springs, April 11-12
October 20

WASHINGTON

Washington Athletic Club, Seattle, April 28

Personnel Relations

By J. R. LATCHAW

Mr. Latchaw is Executive Vice President of the American Security Division of A.S.C. Corporation, Marion, Indiana.

The job of building and maintaining good personnel relations is not an overnight assignment, and it is one that really has to be worked at just about 24 hours a day and seven days a week.

In this day and age, with the amount of labor unrest that always accompanies an inflationary economy; the din of labor and government heads shouting for further wage increases; the competition of industrial plants for our salaried employes; and the jitters engendered by the activities of the draft boards; happy indeed is the finance company operator who can go to bed at night secure in the knowledge that he will find all of his personnel on the job the next morning. By the same token, happy is the employe who comes to his work each day knowing that he will receive a square deal from the boss, that his happiness and individual dignity are a matter of concern to his employer and that he has a personal stake in the success or failure of the day's operation.

Bear in mind that the employe is not the only one on trial when it comes to testing your personnel relations program. The boss is every bit as vulnerable—in fact, one bad mistake in one individual case can cost him heavily in valuable personnel. Even without the mistake, management must be ever on guard to keep from losing trained employes to higher bidders for their services.

Let us consider some of the important factors that merit consideration in setting up a personnel relations policy.

The Dignity of the Individual

Many of you were once interviewed for your first job with a finance company and you gained your first impression of the finance business from the person who conducted that interview. You may have been applying for the collector's job that was open, or you may have been willing to take any job offered. That first interview gave you one of two impressions: you either felt that you were about to become a very small cog in a great big wheel, with little chance of ever being anything else; or you felt that you were really wanted and needed to do a job that just anyone could not do.

Good personnel relations start with that first interview. Idle promises made to entice an applicant into employment nearly always lead to an unhappy ending, and sometimes even to suits for damages. There are enough good things about our business to enable us to stick to facts and leave probabilities to the future.

That first interview should acquaint the applicant with some of the employer's policies governing public relations, the service rendered to the community by the company, the contribution of consumer credit to the national economy and, of course, personnel relations.

The appearance, poise, personality and intelligence of the applicant should be noted on his application by the interviewer. This appraisal is valuable in the screening of applicants.

After employment, it is surely the duty of management to maintain the dignity of the employe by extending to him kind, courteous and considerate treatment. When he ceases to merit that, he no longer qualifies for employment and should be released.

Your employes are going to take their cue from you as to how they treat your customers and each other. If you swear at them, they will undoubtedly either swear at others, or they will leave you. If you are sympathetic to their problems, you will encourage cooperation throughout your organization.

At American Security, every employe knows that he or she is welcome to walk through my door at the office, or at home, at any time of day or night, if I can be of help to them—and many of them do it. We both benefit by that relationship.

One of the quickest ways to lose the respect, cooperation and interest of any employe is simply to ignore him. A steady diet of that treatment will not be endured by anyone who has a real sense of personal dignity. On the other hand, a sympathetic interest directed toward him and his assignments will generate in him a real desire to justify the confidence that is reposed in him.

A word about criticism and commendation. I personally know a few men who never seem to see the good accomplishments of their employes but never miss a chance to point out their shortcomings. What a pity to miss the opportunity of building the self-confidence and pride of accomplishment of your employe by failing to mark his progress, as well as to criticize his mistakes. It is well to remember that even Towser likes to have his head patted once in a while.

The Security of the Individual

Our business has, for many years, enjoyed the reputation of furnishing steady, full-time employment to its personnel. That has been one of the prime factors in enabling us to attract high type men and women in competition with other industries where the pay scale may be higher but where the number of work days in a week are ever an uncertainty.

Many companies, including our own, have further bolstered employe security and satisfaction by providing group life and hospitalization insurance for personnel and their dependents, paid sick leave, paid vacations and regular intervals for salary review. We review all salaries in January and July of each year.

With the trend toward incorporating many of these benefits in union labor contracts, our industry must rely more and more on the personal relationship that exists between management and subordinates and if management does not work to build and hold the respect and personal allegiance of its people, it is in for plenty of headaches.

On the contrary, if we can get people to feel that they count, that they are making a contribution to society, and that they have a reasonable degree of security, then we can expect real teamwork, provided there is—

Incentive for the Individual

All of us were born with the natural instinct of wanting to get somewhere. That is what makes the tiny toddler willing to endure the bumps he receives while learning to walk, he simply is bent on getting somewhere. So it is with people who invest their business lives with us in the finance industry—but management should provide the incentive that generates the willingness to take the bumps.

"I'm not sure, but I think the general idea is that the boss is tired of all of us gathering at the water cooler every day"

Let us go back once more to the screening of applicants for the collector's job.

In our company, which has ten branches, the policy is to hire as collectors, or in similar positions, only such men as have sufficient academic training, personality and native intelligence to be considered as potential branch managers or department heads.

We would not want to hire a man if we felt that he could never progress beyond the job that happened to be open at the moment. That thinking may have to be revised in the light of the present drain on our personnel by the draft boards, but in normal times, we feel that such a policy is sound.

We all want people in our organizations who, after proper training, will be able to assume and discharge increased responsibilities, and who can and will take advantage of opportunities afforded by management.

We do not hesitate to point out to a new employe that it will take some years of close application, conscientious effort, and extensive training to fit him for a key position. Even then, he will have to have patience till one is available in the organization.

While it is important to secure and hold subordinate employes who possess high potential, it is far more important to hold our well-trained key employes who are the nucleus and backbone of our organization. These people are the ones on whom management must depend for the production of profitable business, the training and direction of subordinates, the control of operating costs and losses, and the final emergence of a satisfactory profit. Turn-over in this group of employes can be more than expensive—it can be catastrophic.

I firmly believe that the best way to hold those people and to tie them to your organization is by means of an incentive plan which really pays off if the performance is forthcoming. To gain normal performance, management should set a normal task for which a basic salary will be the compensation. However, in order that there may be individual incentive from the very start, some participation in that first dollar of profit is desirable.

In our company, operating profit is defined as total income less—

1. Provision for loss;
2. Direct branch expense;
3. Cost of money;
4. Supervision expense.

It is computed ahead of Federal income taxes and dividends.

Individual operating statements are kept on each branch and the manager receives a copy of that statement each month. He also receives operating figures on all other branches and by posting those figures to his chart or graph, he can tell just where he stands competitively. The manager's participation in branch profit is computed on the following formula:

1. Initial incentive is 3 per cent of his operating profit.
2. His basic task is to salvage 25 per cent of his total branch income into operating profit. If he salvages 30 per cent, he receives additional participation out of the 5 per cent excess. If he salvages 35 per cent, he receives a still higher percentage of the second 5 per cent, and progressively, as far up as he can go.
3. If this year's dollar profit exceeds last year's he receives 5 per cent of the excess instead of just 3 per cent.
4. If this year's percentage of salvage exceeds last year's, he receives another additional percentage of the excess.

All of these factors added together constitute the total participation for a branch. One-half of this figure is paid in the current year and the other half is carried over to the following year to the credit of the manager. Each year the carry-over is added to the current participation and one-half of the total is paid. This serves the dual purpose of maintaining a good level of income in a subnormal year and of keeping the manager interested in staying with you. He has a real stake in the permanence and success of his branch operation and, under certain conditions, he can lose it. If that happens, however, it is because the company is damaged by his conduct.

Also, he is required to share not to exceed 25 per cent of his participation with his subordinates and it is his responsibility that they are kept satisfied and happy.

While such a formula may not appeal to everyone, it has met with excellent reception in our company and our per cent of salvage for the entire organization is showing a steady improvement.

We feel that participation in profit is more practical for a company of our size than pension plans would be, and that there is more incentive for top performance in current earnings than there is in future pensions. We have not felt that we could provide both.

Incentive is not provided solely by the opportunity for gain. In our organization, our little monthly publication called "Securiosity" has made a fine contribution to the esprit de corps. We recognize length of service by awarding service pins each year at our Christmas Party, adding a diamond each five years. Such things are not too expensive, but they help morale, and no incentive plan is worth much without the confidence engendered by high morale.

The right kind of incentive plan in your organization should bring out the best efforts of those who can make the largest contribution to the success of your operation. If it doesn't, then you had better re-appraise their value to you and possibly give their opportunity to someone who will appreciate it.

The kind of accounting that is necessary to implement an effective incentive plan will quickly disclose weakness in management, but it also will highlight good performance. It helps to create and set up a set of standards within your own organization which indicates just about what management can really expect in the way of maximum performance.

It pin-points the attainments of individuals as well as branches, and sets up a competitive spirit of accomplishment among both, which is a healthy component to any organization.

Management and Subordinates—a happy, wholesome relationship, or a nightmare?

If our policies governing personnel relations take into account the dignity and security of those for whom we accept responsibility when we employ them, and if we provide the incentive that sparks their best efforts, then, and only then, can we expect the teamwork that marks the organization which is able and willing to meet the demands of these difficult times.

—Reprinted from
Time Sales Financing.

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From THE WALL STREET JOURNAL:

Credit curbers at the Federal Reserve say they have no plans now to tighten Regulation W. The Board must go to Congress for power to continue time-payment controls on autos, appliances and furniture beyond June 30; it doesn't want to start trouble meantime. Also officials listen sympathetically to labor's plea that the curbs are hard on low-income groups.

Regulation X and Small Loan Licensees

By ROGER S. BARRETT and JOSEPH E. NEWTON of the Chicago Bar

Regulation X to restrict real estate construction credit was substantially revised effective February 15, 1951. Although Regulation X is directed primarily at real estate mortgage lenders, portions of it will apply to small loan licensees who make "secondary loans" for the purpose of assisting in the purchase or repair of residential or non-residential property. The following statement is made solely from the standpoint of the limited extent to which Regulation X may apply to small loan licensees. It replaces the statement which appeared in the December, 1950, CONSUMER FINANCE NEWS at page 10.

Coverage

The general purpose of Regulation X is to limit the maturities and amounts of long term loans for new residential or non-residential construction, including any addition or improvement to existing structures which costs more than $2,500. Construction begun before noon August 3, 1950, is old construction and is not covered by the regulation. Construction begun after noon August 3, 1950, is new construction and is covered by the Regulation. The Regulation applies when the loan is for new construction purposes even though it is not secured by the real estate upon which the new construction is located. The Regulation applies to a loan for completed construction (as well as construction which is in process or about to begin) if the completed construction began after noon August 3, 1950.

The number of new construction loans by small loan licensees should be very limited, and they may usually be made on an exempt basis. However, an "exempt" loan must comply with the restrictions stated below.

Exemptions

The Regulation specifically exempts all loans:

(1) For materials, articles and services to be used for new construction if the total amount borrowed from all sources is limited to 90 per cent of the value of such materials, articles and services and the loan is repayable in 30 months in substantially equal monthly or weekly instalments. All Group D loans under Regulation W, if made as provided by Regulation W, are, therefore, exempt from Regulation X.

(2) Where the total amount borrowed from all sources, including your loan, does not exceed $2,500.

(3) For real estate construction credit extended prior to May 1, 1951, with respect to new construction

(a) begun prior to October 12, 1950, if such new construction is a residence or a major addition or major improvement to a residence,

(b) begun prior to January 12, 1951, if such new construction is a multi-unit residence or a major addition or major improvement to a multi-unit residence, or

(c) begun prior to February 15, 1951, if such new construction is a non-residential structure or a major addition or major improvement to a non-residential structure.

This is a special exemption for limited duration to relieve hardships resulting from the fact that many persons had commenced construction after August 3 but before their type of construction was controlled by this Regulation.

Loans to purchase residences and other construction on which building began after August 3, 1950,* are subject to the Regulation and must meet the requirements as to maximum loan, maximum maturity and amortization. Since the lending institution granting the major financing has undoubtedly given to the borrower the maximum credit permissible, a secondary or down payment loan cannot be made by a small loan licensee. Of course, if the purchase was a shell house, and the additional credit is for major improvements, etc., the lender may grant the additional loan subject to Paragraph (1) of this heading (Exemptions). Also, if the loan is for moving expenses, drapes, furniture, household equipment and appliances, it would not be subject to X.

Registration

A lender is automatically a registrant under Regulation X if he makes more than three loans during the current calendar year or during the preceding year which involve real estate credit. All loans involving old or new property must be counted, even though made on an exempt basis. Probably, most small loan licensees will be registrants even though they make all their loans on an exempt basis and do not take real estate security.

The Federal Reserve Board has not yet published its form of registration statement for Regulation X. It is hoped that small loan licensees who confine their loans to an exempt basis and who do not take real property as security will not be required to file statistical information under Regulation X. However, small loan licensees will continue to be Regulation X registrants so that the FRB will have full power to enforce the Regulations against them.

Records as to Loans Not Covered

The Regulation provides that no registrant shall extend any credit of any kind unless he is satisfied and maintains records which reasonably demonstrate on their face that such credit is not for new residential construction.

In the vast majority of instances, loans made by small loan licensees will be wholly disconnected from real estate construction. In such cases, it would be enough if the account card, application, or other record taken in connection with the loan showed the actual purpose of the loan sufficiently to demonstrate that it did not involve new construction.

A loan to assist in buying old construction is not covered by this Regulation, but the fact that the construction began before August 3, 1950, should be recorded. A loan of this type would be supported by an Exemption Certificate under Regulation W. Appropriate notations could be made on this certificate.

Records as to Exempt Loans

Generally, if the loan is covered by the Regulation, but it falls within either the first or the second exemption listed above, the Statement of Borrower required for Group D loans by Regulation W will be a sufficient record. For example: If the loan is for major repairs or improvements, the Statement of Borrower will so indicate, and this will support a thirty months maturity. If the Statement indicates that the total credit from all sources does not exceed $2,500, then the loan is exempt from X; it would still, however, be subject to W.

If the loan does not fall within the first or second exemption listed above, you must have a signed statement of the borrower showing that the construction began before the applicable deadline date (see item (3) under Exemptions).

Any licensee who has had a substantial volume of loans involving real estate construction credit in the past should obtain a copy of Regulation X and the forms of Borrower's Statements provided by the Federal Reserve Board.

* See special situations under preceding paragraph where different dates are applicable.

Pinpoint Controls Not Effective

Statement by JAMES K. VARDAMAN

Copy of statement made in New York on January 18, 1951, to John G. Forrest, Financial Editor, New York Times, *by J. K. Vardaman, member, Federal Reserve Board.*

I have thought for many months that the most serious problem with which the United States Government is confronted is the preservation of a sound American dollar. We can even accept defeat in military engagements and still survive as a nation so long as our economy and our money are sound. But without a sound dollar with a strong purchasing value in domestic and world markets we cannot survive as a nation with our present form of government, even though we may win all of our military engagements.

For some months it has appeared to me that the nation should have at the earliest possible moment a complete pattern of strict direct controls embracing allocations of strategic materials, rationing, price controls and wage controls. These controls should be "across the board," total in effect, and cover all classes of our personal and corporate population.

In addition to these direct controls there should, of course, be an adequate program of taxation, including a general sales tax; and there should be other fiscal, monetary and credit controls sufficiently powerful to siphon off the backlog of surplus money to be automatically created by the direct controls.

It strikes me that we are simply deluding ourselves as public officials, and not being entirely fair with the American people, when we convince ourselves and lead the people to believe that voluntary agreements, as desirable as they may be in peace time, and selective credit controls, over-all credit controls, and the highest practical tax assessment, will be sufficient to restore and preserve the purchasing value of the dollar and thereby protect and perpetuate our present form of government.

We must have organization and discipline in our civil population as well as the military, or else our whole structure is apt to collapse. The necessity for this discipline is emphasized by the probability of attack on the United States proper. In our present state of mind, panic would probably result from such an attack; whereas, if we begin immediately to accustom ourselves to discipline in thought as well as in action we will be much more likely to survive.

James K. Vardaman

On the fundamental question of selective credit controls I feel now as I have always felt, that such controls are unwise. Actually they have little or no material effect percentagewise on the total national credit structure; but they do have a disastrous effect on the social attitude of the people, primarily because they do not affect equally all income classes and corporate groups. Factional opposition to these controls, some sound and some selfish, handicaps the over-all monetary and credit control function of the Federal Reserve System because when the Board acts in these limited areas the populace and the Congressional opposition become vocal and strong enough to prevent the Board's being granted necessary additional selective and general control authority to meet its contemplated statutory responsibility in the monetary and credit field. In other words, distrust and loss of confidence in the Board's objectivity brought about by these pinpoint, annoying and ineffective selective controls potentially weaken the entire structure of Board authority. I have always thought that the Board's contribution to our national life would be much more constructive if the Board were more exclusively in the position of a high court and less in the position of a police judge and policeman.

Right or wrong, good or bad, the fact remains that regulations W, T and X have not in the past, nor have they at present, stopped the inflationary trend and the flight from the dollar. They may be very good regulations concomitant to fiscal, monetary and direct controls, but by themselves they appear to me to do more harm that good. And I speak from more than 20 years successful experience which I enjoyed as a lawyer, banker and businessman before becoming a member of the Board.

I believe that the people of this country have confidence in President Truman personally and will wholeheartedly obey and support a program of over-all direct controls. Enforcement machinery can well follow the imposition of the controls, and their imposition should not be delayed the months required to set up such machinery. Of course there will always be an appreciable percentage of chiselers and cheaters, black marketeers and other scum; but a vast majority of the American people are honest and law abiding and in this critical period when our very existence depends on our behavior I firmly believe that the population will largely police itself in these vital matters.

Having served more than five years in combat service with the Army and amphibious Navy in our last two wars I am convinced that the armed forces also have faith in the Presidency and in the American people. If they didn't have they couldn't do a good job in the field, and nobody realizes that better than the mothers and fathers and friends of armed service personnel, and those people will obey and help police any pattern of controls that may be necessary.

Nathan Albrecht died suddenly from a heart attack on February 13 at his home in California.

Mr. Albrecht retired from Household Finance Corporation in the fall of 1948 after almost 43 years in the consumer finance business. His entire business career was with Household. He was Director of Supervision for the company when he retired.

After his retirement Mr. Albrecht attended the conventions of the National Association in 1949 and 1950 and enjoyed visiting with his many friends in the business.

He is survived by his widow.

Time Finance Company Participates in First B-I-E Day in Kentucky

Members of staff of Time Finance Company and guests at luncheon

On February 7, 1951, Time Finance Company participated with 14 other Louisville companies in the first Business-Industry-Education Day in Kentucky. B-I-E Day was sponsored by the American Opportunity Committee of the Louisville Chamber of Commerce, of which B. J. Lenihan is a member. Some of the other firms participating were: Brown and Williamson Tobacco Corporation, Coca-Cola, Courier-Journal and Louisville Times, C. T. Dearing Printing Company, International-Harvester, L. & N. Railroad, and Yellow Cab. Time was the only financial institution participating in the first B-I-E Day program.

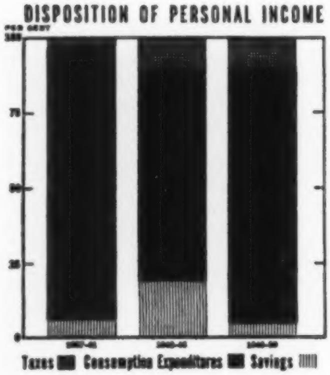
Approximately 250 principals, teachers, and supervisors from the public and parochial schools of Louisville and Jefferson County were the guests of the participating firms. The educators met with the participating firms in assembly at Halleck Hall. A welcome and preview of the day's activities was given by K. P. Vinsel, executive vice president of the Louisville Chamber of Commerce. This was followed by an interesting and factual 20-minute film on the American Business System. The guests were then taken in groups, by buses, to the host firms.

The group that chose to visit Time Finance Company was greeted by President B. J. Lenihan. He gave the educators a brief outline of the consumer finance business and its place in our economic system, of Time Finance Company and the program for the day. The group was then taken through the home office. Complete and detailed explanations were given to the teachers of all home office functions and operations. After which, the group was taken through one of Time's branch offices. It actually saw a consumer finance branch office in operation. All procedures—from the inquiry for a loan to the making of a loan and application of payments—were explained and demonstrated to the educators. Many pertinent and detailed questions were asked and answered during the tours. S. B. Straske, assistant secretary-treasurer of Time Finance Company, conducted the tours.

The group was then taken to lunch. After which was shown *Every Seventh Family*. President Lenihan further addressed the group in more detail on consumer credit, the operations of our business, and the operations of Time Finance Company. Led by F. P. Lenihan, secretary-treasurer of Time Finance Company, a question and answer period followed. The educators took an active part in a spirited and informative discussion. Among the educators in Time's group was Rev. Alfred F. Horrigan, president of Bellarmine College in Louisville.

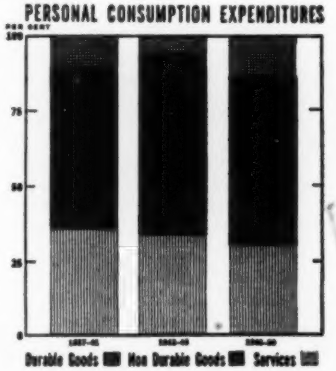
As a result of showing *Every Seventh Family* to its group, Time is now arranging to show *Every Seventh Family* to all high schools in Louisville and Jefferson County, through the Audio Visual Educational Department.

Consumer Buying Patterns Change



The graph at the left shows what happened to personal income during the immediate pre-war period, the years of World War II, and the postwar period. The most obvious difference is the increased tax bite during and after the war (from 3.6% in 1937-41 to a little over 10% during the war and postwar years). These higher taxes left consumers less money to spend and to save. After the war, since consumer buying went up and taxes failed to go down, savings shrank to less than 5% of the personal income.

The chart at the right shows that spending on consumer durable goods decreased from 10.4% before the war to 6.9% during the war because of the shortage of materials. Surprisingly enough, the shrinkage in spending on durables was more than counter-balanced by the purchases of non-durable goods and there was actually a decline in purchases of services from 36.9% before the war to 33.4% during the war. This decline in services continued after the war.



For Your Reading

Survey of Soldiers' and Sailors' Civil Relief Act in Relation to Consumer Credit Obligations—a thirty-three page pamphlet prepared by the Law Committee and published by National Consumer Finance Association as a service to its members.

The Soldiers' and Sailors' Civil Relief Act is in full force and effect. An understanding of its provisions is essential to daily operations in a consumer finance office.

This booklet is in three parts. Part I gives a bird's-eye view of the act for quick reading in about two minutes. Part II details a short analysis of the pertinent provisions of the act in lay language as an answer to the questions which arise most frequently. Part III is a summary of the sections of the act with legal annotations for the guidance of attorneys. A set of forms is added as an appendix and the whole subject is indexed for ready reference.

Copies have been distributed to members of National Consumer Finance Association, but additional copies are available at 25 cents per copy to members and 50 cents per copy to non-members. Write to National Consumer Finance Association at 315 Bowen Building, Washington 5, D. C.

Chattel Mortgages in Colorado (Fourth Edition, 1950) by Louis A. Hellerstein of the Denver Bar—a splendid legal treatise on chattel mortgages in 146 pages.

Mr. Hellerstein, a recognized authority on corporation law, consumer finance laws and mortgages, is counsel for the Colorado Association of Finance Companies and for many of the finance companies operating in Colorado. This fourth edition of his work on chattel mortgages brings it up to date, including the new decisions and new legislation on the subject.

While directed to the Colorado laws, the text and citations embrace all the general principles of chattel mortgages and related subjects and cover many technical subjects of great difficulty and of interest to every consumer finance lender—such as mechanics and repair liens, tax liens, fixtures, after-acquired property, priorities of liens and many others.

There is a splendid table of contents and a complete index for ready reference. This book is highly recommended for executives and managers of consumer finance companies. Write to The A. B. Hirschfield Press, Speer Boulevard at Acoma, Denver, Colorado. Price: $6.00.

Handling Foreign Accounts—a suggested plan for handling foreign accounts—prepared by the Public Relations Committee and approved by the Executive Committee of National Consumer Finance Association.

This 16-page booklet was designed to improve service to borrowers who move to a new location and to solve the problem of losses on foreign accounts which have been costing millions of dollars in the consumer finance industry. The plan proposed in this booklet seeks to improve the treatment of such cases by emphasizing convenience and service to the borrower, helping him to establish his credit in the new location, and to work out existing obligations to the mutual advantage of lender and borrower. Improper handling of foreign accounts in the past has resulted in great delinquency, substantial losses of loans, the ill will of borrowers, and loss of prestige for a business devoted to serving the financial needs of the American family. If carefully adhered to, the plan proposed will do much to maintain and increase good will of transient customers and avoid losses for cooperating companies.

A detailed plan for forwarding accounts, for handling and for reporting progress is set forth, together with suggested forms. The plan has unlimited potential value to the industry. Its success depends upon its wide acceptance and use. Copies have been distributed to all member companies as an Association service. Additional copies are available at 25 cents per copy to members and 50 cents per copy to non-members. Write to National Consumer Finance Association, 315 Bowen Building, Washington 5, D. C.

Operating Instructions for Bankruptcy—a manual of instructions for branch offices in bankruptcy cases, prepared by the Law Committee of National Consumer Finance Association.

Consumer finance companies serve the intimate financial requirements of many millions of American families. They are expert in family counseling and budgeting but, even so, an occasional borrower finds his way into the bankruptcy court. The institution of a bankruptcy proceeding transfers jurisdiction over the bankrupt's affairs to the court and creates a new relationship requiring special treatment by creditors.

The pamphlet outlines the steps involved in voluntary bankruptcy proceedings, defines the new relationships which arise, and advises the positive actions to be taken for the protection of the creditor's interests. Perhaps more important, however, are the warnings against improper conduct in such cases. Adjudication in bankruptcy effects a change in the legal status of a bankrupt and a proper understanding of that status is essential. Deal with the court through attorneys is the sound advice of the Law Committee, whether in the bankruptcy court in voluntary bankruptcy cases or in Arrangements under Chapter XI or in Wage Earner's Plans under Chapter XIII of the Bankruptcy Act.

A complimentary copy is being provided for each office of member companies. Additional copies are available from the Washington office at 25 cents per copy to members of NCFA, and 50 cents per copy to non-members.

The Panel Discussions on Operations — Advertising — Legal Status—the 98-page report of the round table discussions at the Thirty-sixth Annual Convention of the National Consumer Finance Association at Chicago, September 21-23, 1950.

In this volume are reproduced the texts of the addresses and discussions of the round table sessions as a response to popular demand. This report of proceedings is distributed to all member companies as an Association service, so that those who attended may review them and others who could not be present may have the educational benefit of their national convention program. Some additional copies will be available at the Washington office while the supply of printed copies lasts. Price, 50 cents to members of NCFA, and $1.00 to non-members.

Federal Reserve Bulletin—published monthly by the Board of Governors of the Federal Reserve System, Washington, D. C. Subscription price in the United States and its possessions is $2.00 per annum or 20 cents per copy.

The ***Federal Reserve Bulletin*** is the bulletin of official financial, industrial and commercial statistics of the United States, including consumer credit statistics. It also contains many articles of interest on economic and financial subjects.

TWENTY Years Ago in the *News*

Personal Finance News, March 1931

National Officers, 1930-1931:

President, T. M. Kaufman; Vice President, L. K. Osborne; Executive Vice President, W. Frank Persons; Treasurer, T. J. Harrison; Secretary, Edgar F. Fowler

. . . A second effect which the growth of consumer credit is having upon personal finance service is to change its place in the world of business and finance and to heighten the interest of other business in it.

Adequate family financial service no longer is only socially desirable. It is now a national economic necessity. All business needs, and more and more is basing its plans upon, orderly family finance. The agency which sustains the family financial structure is performing a conspicuous economic service to the nation. Its position can no longer be one of comparative obscurity. By the very facts of the situation, it is, and has to be, a position of measurable importance among the established instrumentalities of finance. Personal finance service, and the kindred agencies in the field of consumer finance, will become, not simply the tolerated institutions on the fringe of the financial world which they were until not so very long ago, but rather sizable, potent, constituent parts of that world.

—Edward M. James

The conference of state associations, held in Washington, D. C., on February 21 and 22 under the auspices of the American Association, was attended by approximately seventy delegates comprising representatives of state associations and officers and staff of the American Association.

. . . The manifest need for a campaign of public education was stressed by numerous speakers throughout the proceedings. The opinion was expressed that this need appeared in three ways: (1) Acquainting the public with the useful services performed by the personal finance business; (2) Correcting erroneous public impressions regarding the business; (3) Improving business methods and practices and giving publicity to the result.

It was thought that a considerable job of education existed within the industry itself. It was pointed out that many managers, upon whom devolve responsibility for meeting public criticisms, appear unequal to the task. This situation, it was emphasized, is not occasioned by the absence of pertinent facts but to the lack of facilities to assemble these facts and put them into available shape for the purpose in question.

Customer goodwill, built up by hard work and expensive advertising is the most precious asset you have. Do not let indifference tear down in a few contacts what it has taken much time and money to build up. If you like to be served promptly when you go into a business establishment, if you like to patronize those people who deal with you courteously and considerately, then there is every reason to believe you should be anxious to give to your customers all of those things that you insist upon getting yourself as a customer of some other business. Do this and both you and the office you manage will be successful.

—William Young

Personalities

Lloyd M. Boyd, a general partner in the Jim Furlong Loan Company, ends our series of "Personalities" columns on the members of the Board of Directors who were elected for first terms at the September 1950 Annual Meeting. Mr. Boyd became associated with the Jim Furlong Auto Company in 1933 as assistant bookkeeper and outside man. In 1934 he was transferred to the Jim Furlong Loan Company as assistant to the cashier. In November 1935 he was promoted to manager of one of the loan offices and in 1943 purchased an interest as a general partner in the Jim Furlong Loan Company.

Mr. Boyd was born in Rippey, Iowa, on May 30, 1913, and attended grade school and high school in Oskaloosa, Iowa. He also attended William Penn College there and Denver University in Denver, Colorado. He was a member of the Alpha Kappa Psi Fraternity and is a life member of the Alumni Chapter.

Mr. Boyd is immediate past president of the Colorado Association of Finance Companies, having served in that capacity from March 1949 to March 1950. He is now chairman of the Executive Committee of that association and participates in the various public relations programs and other activities of the association.

Mr. Boyd holds membership in the Denver Chamber of Commerce, the Colorado State Chamber of Commerce, the Wolhurst Saddle Club, Aviation Country Club and Mount Vernon Country Club.

On December 26, 1936, he was married to Amy Finchette and they have two daughters, Barbara Rene, 12 and Beverly Jean, 9.

New Trade Practice Rules

Statement by Thomas D. Griffin:

The Federal Trade Commission promulgated on February 6, 1951, trade practice rules relating to the retail instalment sale and financing of motor vehicles. These rules become operative thirty days after date of promulgation, or March 8, 1951.

The rules are clear and to the point. They prohibit misrepresentations as to insurance coverage or rates, finance costs, etc., and they require that an itemized statement be furnished to the purchaser showing a complete breakdown of the costs and charges including the cost of insurance.

Blank spaces in instruments are prohibited (except the identifying serial number when not available); false, misleading and deceptive use of rate charts are also prohibited and the seller is prohibited from designating the insurance company.

While these rules are primarily applicable to the automobile seller, they also cover any finance institution which combines and conspires with the seller to avoid these regulations. This situation could occur where the finance company prepares the form of conditional sales contract and other papers to be used by the seller and also furnishes the rate charts.

The ordinary small loan lender who sometimes makes direct loans to borrowers sent in by automobile sales companies in order to enable the borrower to purchase an automobile direct from the seller would not be affected by these rules because the lender makes no representations whatsoever to the automobile being purchased or the charge made therefor. The transaction is strictly a cash loan between lender and borrower. If the borrower then purchases the car from the seller and pays cash, the seller would not be affected by these rules, since the rules cover only instalment transactions.

FEDERAL TRADE COMMISSION
Washington

Trade Practice Rules Relating to the Retail Instalment Sale and Financing of Motor Vehicles

As Promulgated February 6, 1951

Statement by the Commission:

Trade practice rules relating to the sale and financing in commerce of motor vehicles on instalment or deferred payment contracts, as hereinafter set forth, are promulgated by the Federal Trade Commission under its trade practice conference procedure.

The rules are designed to eliminate and prevent certain unfair or deceptive acts or practices in such instalment sale of motor vehicles, and in the financing of such sales, which are considered by the Commission to be violative of Section 5 of the Federal Trade Commission Act as amended. The rules are applicable to all persons, partnerships, or corporations coming within the jurisdiction* of the Commission and will be applied to the elimination of the particular acts or practices therein specified which the Commission believes tend to suppress competition or restrain trade. Subject to commerce and other jurisdictional requirements, appropriate proceedings in the public interest will be taken by the Commission to prevent automobile dealers and financing institutions from engaging in any of the practices defined and proscribed by the rules.

The recent stabilization of prices of motor vehicles by the Government, made necessary by the inflationary trend, makes it more important that such opportunities as may exist for fair competition in the retail marketing of motor vehicles, including sales on the instalment plan, be not impaired. The present promulgation of the rules having such objective is especially timely.

Proceedings leading to the establishment of rules were instituted by the Commission on its own motion. A general industry conference was held in Washington, D. C., at which suggestions and objections by interested parties and proposals for rules regarding the matter were presented and given consideration. Thereafter a draft of proposed rules in appropriate form was made available by the Commission and public notice given whereby all interested or affected parties were afforded opportunity to present their views, including such pertinent information, suggestions, or objections as they desired to offer, and to be heard in the premises. Hearing was accordingly held on February 2, 1950, in Washington, D. C., and additional hearings were held before the Commission on April 10, May 5, and May 8, 1950. Following such hearings, all matters presented or otherwise received in the proceedings were duly considered.

Thereafter, and in consideration of the entire matter, final action was taken by the Commission whereby it approved the trade practice rules hereinafter appearing. Such rules become operative thirty (30) days after date of promulgation.

In view of the exemplary objective of these rules, the Commission is hopeful of their approval by all who are engaged in such financing.

THE RULES
GROUP I

The practices proscribed in Group I rules are such as are considered to be prohibited by laws administered by the Federal Trade Commission. Appropriate proceedings in the public interest will be taken by the Commission to prevent the employment of any such practices in commerce[1] by any person, partnership, corporation, or other organization subject to its jurisdiction.

[1] As here used the word "commerce" means commerce among the several States or with foreign nations, or in any Territory of the United States or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or Foreign nation.

* The Commission is empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers subject to the Acts to regulate commerce, air carriers and foreign air carriers subject to the Civil Aeronautics Act of 1938, and persons, partnerships, or corporations subject to the Packers and Stockyards Act, 1921, except as provided in Section 406(b) of said Act, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

Rule 1—Misrepresentation as to Insurance Coverage or Rates, Financing Costs, Etc.

It is an unfair trade practice for any seller or financing institution, acting individually or in agreement, combination, conspiracy, or collusion with one another, to make any false, misleading, or deceptive statements or representations concerning insurance coverage or rates, plans respecting methods of financing, or financing costs or rates, in connection with the sale at retail of motor vehicles on instalment or deferred payment contracts.

Rule 2—Furnishing the Purchaser with Itemization of His Costs in the Instalment Sale of Motor Vehicles.

I. In the instalment sale of motor vehicles it is an unfair trade practice for the seller to fail, before the consummation of the sale, to furnish the buyer an itemization in writing signed by the seller separately disclosing to the purchaser the finance charge, insurance costs, and other charges which are paid or to be paid by the purchaser, such failure to separately disclose such items having the capacity and tendency or effect of deceiving the purchaser as to the nature of his costs in the transaction or rendering competition with respect to the cost of financing and cost of the insurance involved ineffective from the standpoint of the purchaser.

II. The seller shall be deemed to have fully complied with the requirements of this rule when he has furnished the purchaser, before consummation of the sale, an itemization in writing which clearly discloses—

(a) the delivered price of the motor vehicle, including accessories or extras, if any; and

(b) the amounts to be credited as down payment and trade-in, if any; and

(c) the time balance owed by the buyer to seller, the amount of each instalment payment to be made by the buyer, and the number of such instalment payments, and the due dates thereof; and

(d) the cost of insurance,[2] the coverage provided, and the party or parties to whom the insurance is payable; and

(e) the finance charge; and

(f) other charges making up the total consideration paid or to be paid by the purchaser, included in the time balance, the amounts and nature of each to be separately stated;

or when all said required information is clearly set forth in the instalment sales contract, chattel mortgage, or other instrument evidencing the purchase transaction, and a true copy of such instrument is furnished to the purchaser before or at the time of the execution thereof.

Provided, however, that said items (a), (b), (c), (d), (e), and (f) need not be stated in the sequence or order above set forth and that additional items may be included which serve to explain the calculations involved in determining the stated time balance to be paid by the purchaser; and *provided, further,* that when all the said required information is clearly set forth in an instalment sales contract, chattel mortgage, or other instrument evidencing the purchase transaction, and a true copy of such instrument is furnished to the purchaser before or at the time of his execution thereof, no additional itemization need be furnished to the purchaser.

III. In connection with the instalment sale of motor vehicles, it is an unfair trade practice for any financing institution to aid or abet a seller in effecting concealment or nondisclosure to the purchaser of the information required to be furnished to the purchaser under the provisions of Paragraph I of this Rule.

Rule 3—Instalment Sales Contract Containing Blank Spaces to be Filled in After Its Execution.

In the execution of an instalment sales contract, it is an unfair trade practice for the seller to utilize the device of having the purchaser sign a contract or receipt in blank, to be filled in subsequently by the seller or financing institution with the purpose or effect of deceiving the purchaser.

Note: Nothing in this rule shall be construed as prohibiting unfilled blanks for insertion of identifying serial numbers and identifying marks when knowledge concerning such numbers or marks is not available to the dealer at the time of the execution of the contract, provided that there is a clear and sufficient description of the motor vehicle which shall be fully adequate to identify it readily, and provided further that such identifying numbers and identifying marks are subsequently inserted in the contract upon the delivery of the motor vehicle.

Rule 4—False, Misleading, or Deceptive Use of Rate Charts in Connection with the Instalment Sale and Financing of Motor Vehicles.

It is an unfair trade practice for any seller or financing institution, either individually, or in agreement, combination, conspiracy or collusion with each other, through the misuse of a rate or rate charts, or any other device or in any other manner, to make a false, misleading, or deceptive representation to the purchaser of a motor vehicle as to the finance charge required by a financing institution to finance the amount of the unpaid balance of the contract.

Rule 5.—Requiring the Placing of Insurance by the Seller or Financing Institution as a Condition to the Sale or Financing of a Motor Vehicle.

It is an unfair trade practice for any seller or financing institution, either individually or in agreement or collusion with each other, to condition the instalment sale or financing of a motor vehicle on the purchase of an insurance policy from a particular insurance company when equivalent or better coverage by another insurance company is available and the purchaser desires to purchase the policy of such other company, where the effect of such conditioning may be to substantially lessen, stifle, or suppress competition. This rule shall not prevent the exercise by the financing institution of the right to approve or disapprove for good cause the insurance company selected to underwrite the insurance.

Promulgated by the Federal Trade Commission February 6, 1951.

D. C. Daniel,
Secretary.

[2] If at the time of the sale the seller does not know the precise cost of the insurance and cannot ascertain same without unreasonable delay, he may state an estimate of such cost when such estimate is based upon the applicable rate or rates specified in a current rate manual of a recognized standard insurance rating bureau, or upon the applicable rates or rates specified in a rate chart approved by a State insurance administrator of the State in which the motor vehicle is to be kept; *provided, however,* that when the cost of the insurance is so estimated the itemization to be furnished to the purchaser shall so state, and in conjunction it shall be stated in said itemization that the difference between the estimated cost and the actual cost, and the portion of the finance charge which is based on any overcharge, will be adjusted at the time of the payment of the final instalment.

A Glance at What They Are Doing

Rene A. Curry was recently elected president of the Louisiana Consumer Finance Association. He is president of Curry-Dearie Finance Service, Inc., which company he organized in 1947 and has offices in New Orleans and Gretna, Louisiana. He has been in the small loan field for the past 22 years; a past president of the New Orleans Exchange of Personal Finance Companies in New Orleans, a past vice president of the Young Men's Business Club of New Orleans, chairman of the Education Committee of the Mid-Century White House Conference on Children and Youth for the City of New Orleans—a civic leader in this community. Mr. Curry is married, has three children, and is 46 years of age.

The Banking Department of the State of Connecticut has promulgated new rules and regulations concerning small loan licensees effective February 15, 1951. Copies of the Rules and Regulations may be obtained upon request to Melvin O. Hall, State Office Building, Hartford 15, Connecticut.

J. J. Foss, manager of Liberty Loan Corporation, Marinette, Wis., has been appointed chairman of the City of Marinette Red Cross Drive. Last year he received an Award of Merit in recognition of his work in the drive of 1950. Mr. Foss is also chairman of the Marinette Disaster Plan, which would go into operation in case of any disaster.

Advance Program Suggestions for March, 1951, published by Kiwanis International, contains the following under the heading "Interesting Programs":

4. "Every Seventh Family," the dramatic human interest story of man's right to credit. This is a 16 mm. sound motion picture, depicting the values of credit and the protection of the public from notorious "loan sharks." Requires 26 minutes. Highly recommended. Available from the nationwide service of Modern Talking Picture Service, Inc., 9 Rockefeller Plaza, New York 20, New York. Branches in all leading cities of the United States.

A. F. Reitz, manager of Household Finance Corporation, Kansas City, Missouri, reports that the film, *Every Seventh Family* was shown to the Southside Chapter of the Kiwanis Club on Friday, February 9. This film was shown in conjunction with a talk by Mr. George Husser, manager of the Better Business Bureau in Kansas City. Mr. Husser advised that there were about sixty-five businessmen present, and that the film and his speech about loan sharks operating in the state of Missouri were both very well received.

Thomas H. Cougill, Supervisor of Small Loans and Consumer Credit, Department of Financial Institutions of Indiana, resigned from the Department on February 15 to become associated with Pacific Finance Loans. Mr. Cougill had been with the Department of Financial Institutions three and one-half years, having been appointed supervisor on August 15, 1947.

Fred L. Robinson, manager of Capital Finance Corporation, Dayton, Ohio, has told of a recent compliment paid Capital by Rev. Robert C. Bowman, minister of the First Presbyterian Church in Lancaster, Ohio, where the Robinson family worshipped prior to their transfer to Dayton. On Sunday, November 5, Rev. Bowman used—"Will You Leave These to Your Children?", one of the company's patriotic, anti-communistic advertising letters (released through its offices in September) as one of the highlights of his morning sermon. Rev. Bowman read the entire Capital message to his congregation and stressed the importance of all members' getting out to vote the following Tuesday. The entire service was broadcast via radio station WHOK, Lancaster, further spreading Capital's presentment of Americanism. The company is highly honored that such recognition and acceptance has been accorded its continuing, aggressive program of Americanism.

"Here's a greeting Mabel made and sent to me from Florida last winter. Long playing, of course"

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The best way to teach our young people the meaning of our democratic freedoms is to demonstrate, by our own example, that we have mastered the "three R's of citizenship"—Rights, Respect and Responsibilities.

—*Earl James McGrath, U. S. Commissioner of Education.*

IMPERIAL CREDIT COMPANY

ALBERT P. SNITE
President

January 26th, 1951.

Mr. Paul Selby
315 Bowen Building
Washington 5, D. C.

DEAR PAUL:

I have read every word of the booklet, OPERATING INSTRUCTIONS FOR BANKRUPTCY.

The National Association has gotten together and published many speeches, instructions, and booklets on our business, but this is the best advice ever to be given our members. One loan man in the United States may innocently handle a bankrupt in the wrong way, which may cause a Federal judge to sound off, causing newspaper publicity which would injure our industry in the minds of many people. If every loan man in the United States would read these instructions and not deviate from them, his company would never get into any trouble in a bankruptcy case.

The instructions are all written in simple English, not lawyers' language; this I like.

I congratulate the Law Committee on a fine job, and I realize the time it took and the many meetings attended before the final draft.

I also congratulate the National Association for the publication.

Sincerely,

ALBERT P. SNITE.

Lending Hands

The main business of the Household Finance Corporation is to lend money. It is, therefore, quite natural that many people express surprise when they hear of the extensive program which this company puts on to educate people to buy better, run their homes more economically, budget wisely, and in general keep themselves out of the class that needs to borrow money. The company does these things as a public relations job, believing that every person Household Finance helps, customer or not, becomes a lasting booster and feels confidence in the integrity of the company. This is, of course, particularly important in the small loan field where the maximum interest rates—fixed by law—are considerably higher than rates charged by banks, and where legal practitioners often suffer for the doings of racketeer "loan sharks."

Household Finance gets out two sets of booklets, one on various phases of money management, the other full of information on buying specific products. More than half of these are distributed through the company's 520 branch offices. The rest (41 per cent) go to homemakers, schools, libraries, social agencies, etc. The company also makes film strips, which are widely used in schools, and runs a budget counseling service and program planning service for clubs.

The entire public relations project comes under the heading of "Consumer Education," and it is now 20 years old.

***Reprinted from* — The Woman's Viewpoint,** by Charlotte Montgomery, TIDE, *February 9, 1951.*

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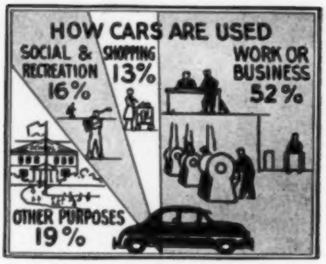
Money still talks, but a $5 bill stammers more than formerly.

—*Carey Williams,*
Publisher's Syndicate.



Total consumer indebtedness for the purchase of automobiles is listed in the latest figures of the Federal Reserve System at $4 billion. The Reserve Governors have been able to extricate a portion, but not all of the "truck" paper from this total listed as "consumer debt."

The above chart, from "Automobile Facts," illustrates the great need for further research in this area. It bears out the belief of many economists that much indebtedness catalogued as "consumer" in the figures is not of consumer origin.

It has just been noticed, as a sidelight upon the issue, that at least one state officially permits those in business and the professions to take income tax exemption as "business expense" the equivalent of three-fourths of the annual mileage of passenger cars which are used in business, where such cars also serve private family purposes.

Plumbers, carpenters, electricians, salesmen, supervisors and countless others driving passenger cars, own and use these vehicles principally for business, in addition to the thousands which are used exclusively in non-consumer pursuits.

One thing is certain, cars are an absolute "must" for multitudes of these small and large business and professional enterprises, whereas their private family use is a side issue, much more easily dispensed with if necessary. Probably almost the entire indebtedness to banks and others for the purchase of "passenger" cars is chalked up to "consumers," in the official tallies, as the People's Credit has pointed out.

—*The People's Credit*

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Your living is determined not so much by what life brings to you as by the attitude you bring to life; not so much by what happens to you as by the way your mind looks at what happens. Circumstances and situations do color life but you have been given the mind to choose what the color shall be.

—*John Homer Miller,*
Christian Herald.

Saver the "Forgotten Man" Today; Return on Invested Savings Trails as Economy Booms

The saver is the "forgotten man" of our times, judged by the reward for his thrift. While all the principal segments of our $300 billion economy are enjoying a boom of record proportions, the return on invested savings has been lagging far behind, and in certain major areas is virtually at the lowest level on record.

The question of a proper reward as an incentive to individual thrift is a subject of major importance at all times since over the years personal savings have been the lifeblood of the economy. It is of particular importance today because of the vital need to encourage greater savings on the part of the people at large, both to help keep inflationary forces in check and to provide investable funds needed for expanding the nation's productive facilities to speed up our rearmament program.

Saver Versus Other Groups

The actual rate of return on invested savings, except for the more speculative areas involving the ownership of equities, has in itself shown no significant recovery from the record low levels established in the last few years. This is particularly true of the interest rate, which is of such basic importance to the individual and pooled savings of people of small or moderate means who can't afford to take chances with their "nest eggs" or "rainy day" funds.

In an inflationary period like the recent past or the present, the freeze in interest rates works an added hardship on the thrifty who, to avoid taking risks, have prudently invested their savings in top-grade securities like Government bonds, and kept them. With their rate of return unchanged, or in some cases actually having declined over the decade, such people are actually being penalized, rather than rewarded, for their thrift as the result of the effect of the marked decline in the dollar's purchasing power on the return from their savings.

Impact on Institutions

It's not only people alone who have suffered from this development. The interest rate trend combined with the declining purchasing power of the dollar has had its impact as well on thrift institutions, pension funds, and on non-profit organizations in the educational, religious and welfare fields, whose ability to carry out programs for the public benefit is intimately related to their income from investments.

Savings' Share in Income

The following table gives the trend of the dollar return on invested savings as compared with national personal income (in billions of dollars), and their relationship, for selected years from 1929 to the present:

Year	Return on Invested Savings (a)	Total Personal Income	Ratio
1929	$19.1	$ 85.1	22%
1933	10.2	46.6	22
1940	13.0	78.3	17
1945	17.7	171.9	10
1946	19.8	177.7	11
1947	21.6	191.0	11
1948	23.6	209.5	11
1949	24.5	206.1	12
1950 (e)	26.0	222.4	12

(a) Consists of rentals, dividends and personal interest income.
(e) Estimated.

Sources: Department of Commerce; Council of Economic Advisers; Institute of Life Insurance.

An indication of how the return on savings has fared as compared with the return to other groups is provided in a study of the trend of principal components of personal income over the last two decades. Back in 1929, the combined dollar return on invested savings as represented by rental income, dividends and personal interest income, was equivalent to 22 cents of every dollar of the nation's over-all personal income in that year. The proportion declined steadily during the '30s and by 1940 had slipped to a level representing 17 cents of every dollar of aggregate personal income for that year.

There was a further marked decline during the war, and in 1944 and 1945 the combined dollar return on invested savings had slipped to the equivalent of only 10 cents of the aggregate national personal income dollar in each of those years. There has been some recovery since, with the ratio representing 12 cents of the over-all personal income dollar for 1949 and 1950, but the current proportion is still more than a fourth below 1940 and little more than half the ratio of 1929.

Increase in Savings at Work

It is true that the aggregate dollar return on invested savings has doubled in the last decade, rising from $13 billions in 1940 to an estimated $26 billions in 1950. On a percentage basis, however, this rise doesn't compare with what happened in the rest of the economy. The nation's aggregate personal income, for example, nearly tripled between 1940 and 1950, and both the classifications of proprietors' income and wage and salary income kept pace with this rise. In fact, the latter exceeded it.

Furthermore, the big factor in the larger aggregate dollar income on invested savings in recent years has been the spectacular increase in the volume of such savings at work in the economy, mainly due to the thrift record established by the American people during World War II. Total accumulated long-term savings of individuals, for example, are today close to three times their 1940 amount.

—Reprinted from *Money-Matters.*

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The thing that breaks our back is not so much the load we are carrying now, as the weight of what we fancy may be tomorrow's burden.

—*Sentinel.*

State Association Activities

At the Nebraska Association meeting, left to right: B. E. Adkins, president; E. A. Thompson, Mrs. Thompson, Mrs. Hiller, and Richard H. Hiller, first vice president

Nebraska

The Nebraska Association of Small Loan Companies held its annual meeting in the Fontenelle Hotel, Omaha, on February 13 and 14, 1951, with the largest attendance in the history of the association.

The Board of Directors met on the morning of February 13. The general convention sessions began with an overflow luncheon meeting at noon. Harold Poff, official greeter for the Mayor of Omaha, delivered a brief but cordial address of welcome. Paul L. Selby, executive vice president of National Consumer Finance Association, gave the luncheon address. His subject, "The Consumer Finance Business in 1951," was of great current interest to the members and their guests. After pointing out that the licensed consumer finance business in 1950 had exceeded all previous records, he reviewed the wartime emergencies which face us in 1951, including Regulation W, Regulation X, Soldiers' and Sailors' Civil Relief Act, Selective Service Act, Trade Practice Rules of FTC, and the mass shifting of workers into the defense industries. Mr. Selby then emphasized the importance of adequate credit for the working force of America and the responsibility of operating companies to render ever-improving service in wartime as well as in peacetime. Operating in the public interest and a continuing public relations program to increase understanding of our business can assure us long range success.

The Honorable J. F. McClain, Director of Banking, and the Honorable Bernard Stone, Director of Insurance for the State of Nebraska, were the speakers on the afternoon program. Mr. McClain in a splendid address outlined the dangers of increasing federal controls over business, especially in the consumer credit field. Mr. Stone discussed the problems of insurance operations in Nebraska from the viewpoint of the state director.

The annual business meeting of the membership followed these addresses to consider and approve the reports of officers and committees and to elect a new Board of Directors.

The annual banquet in the ballroom was a gala occasion with a capacity attendance of members and many distinguished guests. C. Buckner Russell gave the banquet address on "The Art of Public Speaking"—a mixture of sound philosophy and humor. A splendid orchestra and a lively floor show added entertainment.

The Wednesday (February 14) sessions were given over to panel discussions—"Government Controls" in the morning, and "Management's Responsibility" in the afternoon. The participants were active members of the association—experts in their respective fields. We hope to publish some of their presentations.

The Assistant Attorney General of Nebraska, Robert Nelson, discussed recent or pending opinions of the Attorney General and court decisions pertaining to the business. Dr. J. P. McMillan, Professor of Physics at the University of Omaha, addressed the final luncheon on the subject "If the Big Bomb Is Dropped—What Can We Do?" It was a thought-provoking discussion of a potential crisis that might happen here—a motion picture helped to illustrate his remarks.

The new officers of the association are B. E. Adkins, president; Richard H. Hiller, first vice president; Brady DeVore, second vice president; E. R. Freeman, treasurer, and R. W. Gohde, secretary.

Maryland

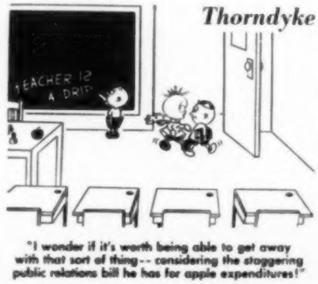
The Maryland Consumer Finance Association met at the Mayflower Hotel in Washington, D. C., on February 15, 1951, for another meeting of the Board of Directors and of the members.

The Board meeting was held in the afternoon with a full attendance and a lively discussion of association affairs.

The membership meeting was held in the evening with an attendance of 115 members and a number of guests. President Frank Bush presided. Reports of committees were received and approved and several new members were voted into membership. The speaker of the evening was Frederick Solomon, Assistant General Counsel for the Federal Reserve Board. Mr. Solomon was introduced by Paul L. Selby, executive vice president of National Consumer Finance Association, and his subject was "Federal Control of Consumer Credit." He reviewed the economic trends prevailing in the country and pointed out the factors contributing to the inflationary spiral. Among these factors is the rapid rise of consumer credit in the period following the outbreak in Korea. Next he outlined the steps taken by the Federal Reserve Board to combat inflation such as Regulation W, Regulation X, the increase in bank reserves, increase in rediscount rate, and the increase in margin requirements for stock exchange transactions. The techniques involved in writing regulations covering such a broad field of financial operations were explained briefly as the reasons for some of the detailed provisions of regulations applicable to several segments of the economy.

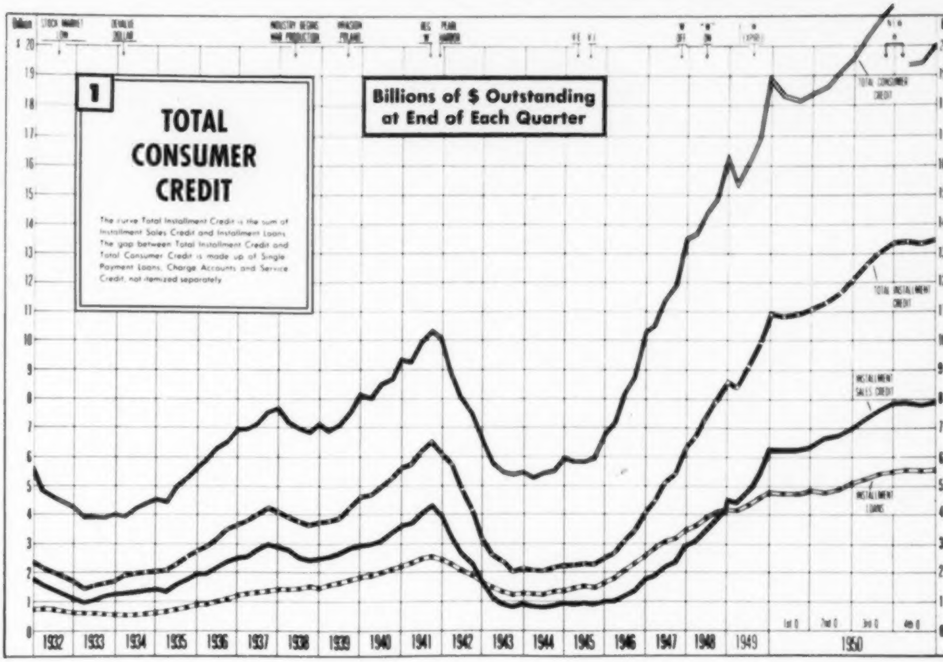
Mr. Solomon's address was of absorbing interest and a long question and answer period followed his presentation.

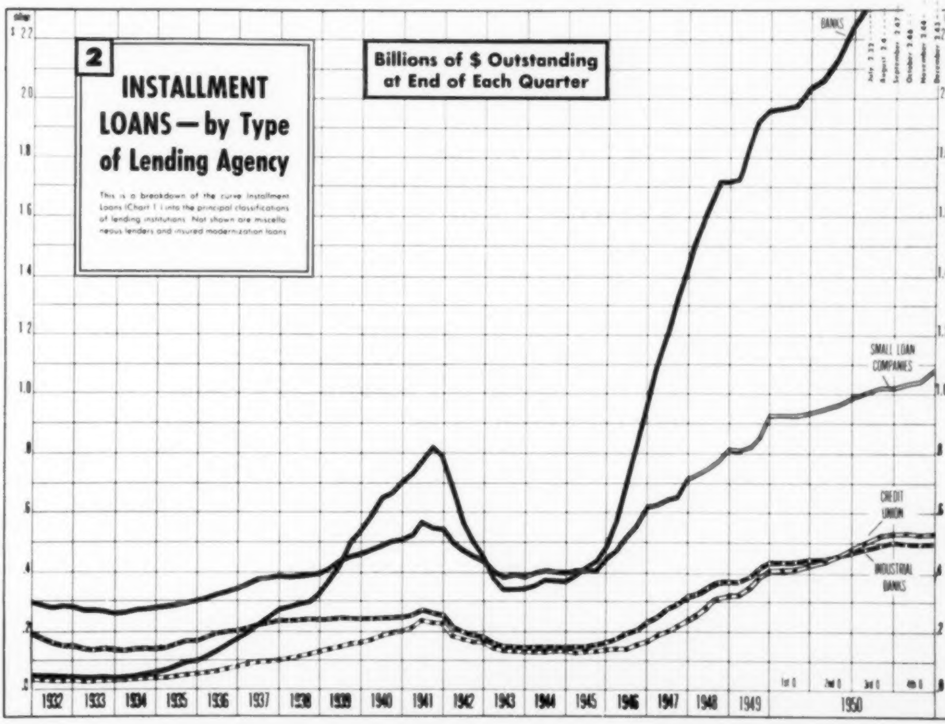
The next meeting of the association will be held at Easton, Maryland, on June 14, 1951. Officers of the association are Frank B. Bush, president; T. A. Hulfish, vice president; E. M. Garren, secretary, and A. Schlossberg, treasurer.



"I wonder if it's worth being able to get away with that sort of thing-- considering the staggering public relations bill he has for apple expenditures!"

The Trends of Consumer Credit





Source of Data, Federal Reserve Board—Compiled by *The Credit Life Insurance Co.*

"The bonds William and I bought for our country's defense helped build a house for us!"

HOW U. S. SAVINGS BONDS PAID OFF FOR MRS. ROSE NYSSE OF BRISTOL, PA.

"There's nothing more wonderful than a house and garden of your own," says Mrs. Nysse. "And there's no surer way to own one than to save for it through U. S. Savings Bonds and the Payroll Savings Plan!"

Mrs. Rose Nysse says, "In 1942 William and I started making U.S. Savings Bonds a part of our plan for financial security. I joined the Payroll Savings Plan at the Sweetheart Soap Co. where I'm a supervisor, and began buying a $100 bond each month. I knew that my money was safe and working for me all the time. Buying U. S. Savings Bonds is one of the surest, safest savings methods!"

"Savings Bonds alone made a $5,000 down payment on our house!" says Mrs. Nysse. "Altogether, we've saved $8,000 just in bonds bought through Payroll Savings, and we're keeping right on with the plan. And when we retire, our bonds will make the difference between comfort and just getting by. Bond buying is a patriotic and practical way of building a cash reserve!"

You can do what the Nysses are doing —the time to start is now!

Maybe you can't save quite as much as William and Rose Nysse, maybe you can save more. But the important thing is to *start now!* It only takes three simple steps.

1. Make the big decision—to put saving *first*—before you even draw your pay.

2. Decide to save a regular amount *systematically*, week after week, or month after month. Even small sums, saved on a systematic basis, become a large sum in an amazingly short time!

3. Start saving automatically by signing up *today* in the Payroll Savings Plan where you work or the Bond-A-Month Plan where you bank. You may save as little as $1.25 a week or as much as $375 a month. If you can set aside just $7.50 weekly, in 10 years you'll have bonds and interest worth $4,329.02 cash!

You'll be providing security not only for yourself and your family, but for the blessed free way of life that's so important to us all. And in far less time than you think, the financial independence the Nysses enjoy will be yours to enjoy as well!

FOR YOUR SECURITY, AND YOUR COUNTRY'S TOO, *SAVE NOW*— THROUGH REGULAR PURCHASE OF U. S. SAVINGS BONDS!

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